

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 AGR-01 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15  
STR-07 CEA-01 PA-01 DOE-15 SOE-02 /112 W  
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E.O. 11652: N/A  
TAGS: EFIN, AR  
SUBJECT: INFLATION IN ARGENTINA -- MARCH

1. THE GOA HAS ANNOUNCED THAT THE CONSUMER PRICE INDEX IN MARCH ROSE 9.5 PERCENT, BRINGING THE TOTAL INCREASE FOR THE FIRST THREE MONTHS OF 1978 TO 31.8 PERCENT AND FOR THE PAST TWELVE MONTHS TO 172.9 PERCENT. THE BREAKDOWN OF THE CPI INCREASES BY CATEGORY IS AS FOLLOWS: FOOD AND BEVERAGES -- 9.5 PERCENT; CLOTHING -- 6.9 PERCENT; HOUSING, FUEL, AND ELECTRICITY -- 5.5 PERCENT; HOUSEHOLD FURNISHINGS AND OPERATIONS -- 8.8 PERCENT; MEDICAL CARE -- 13.1 PERCENT; TRANSPORTATION AND COMMUNICATIONS -- 6.4 PERCENT; RECREATION AND EDUCATION -- 19.7 PERCENT; AND MISCELLANEOUS -- 11.9 PERCENT.

2. THE WHOLESALE PRICE INDEX (WPI) IN MARCH ROSE 9.0 PERCENT, BRINGING THE TOTAL INCREASE DURING THE FIRST QUARTER TO 26.3 PERCENT AND DURING THE PAST TWELVE MONTHS TO 147.1 PERCENT. AGRICULTURAL WHOLESALE PRICES ROSE 12.1 PERCENT, DOMESTIC INDUSTRIAL PRODUCTS 6.5 PERCENT, AND IMPORTED INDUSTRIAL PRODUCTS 8.1 PERCENT.

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3. MINISTER OF ECONOMY MARTINEZ DE HOZ GAVE A PRESS CONFERENCE IN WHICH HE EXPRESSED HIS VIEWS ON THE UNEXPECTEDLY HIGH RATE OF INFLATION REGISTERED IN MARCH AND ANNOUNCED MEASURES DESIGNED TO COMBAT INFLATIONARY PRESSURES. HE POINTED OUT THAT THE CATEGORY "FOOD AND BEVERAGES", WHICH ACCOUNTS FOR THE BULK OF THE CPI INCREASE (48 PERCENT BECAUSE OF ITS GREAT WEIGHT IN THE

INDEX), RESPONDED TO THE SUBSTANTIAL RISES IN THE INTERNATIONAL PRICES OF GRAINS (PARTICULARLY WHEAT) AND OILS AND TO THE SHARP PRICE RISES OF FRUIT BECAUSE OF SEASONAL FACTORS. THE MINISTER ALSO SAID THAT THE SHARP INCREASE IN THE INDEX FOR "RECREATION AND EDUCATION" WAS CAUSED BY A 134.3 PERCENT RISE IN THE COST OF PRIVATE EDUCATION -- AN ITEM WHICH DOES NOT AFFECT THE COST OF LIVING OF THE AVERAGE BLUE COLLAR WORKER BECAUSE HE SENDS HIS CHILDREN TO FREE PUBLIC SCHOOLS. THE MINISTER THEN WENT ON TO EXPLAIN HIS DISSATISFACTION WITH THE STATISTICS PRODUCED BY INDEC AND SAID THAT HE HAS ENGAGED A GROUP OF EXPORT STATISTICIANS TO REORGANIZE INDEC COMPLETELY AND IMPROVE THE QUALITY OF ITS STATISTICS.

4. AT THE SAME TIME, THE MINISTER EXPRESSED HIS DISPLEASURE WITH BUSINESSMEN WHO WERE TAKING ADVANTAGE OF THE UPTURN IN ACTIVITY TO INCREASE PROFIT MARGINS RATHER THAN SALES. HE RULED OUT ANOTHER "PRICE TRUCE" BUT SAID THAT THE GOVERNMENT WOULD COMBAT INFLATION BY LOWERING IMPORT DUTIES ON ITEMS WHOSE PRICES HAVE RISEN EXCESSIVELY (DUTIES WERE REDUCED ON A LONG LIST OF ITEMS EFFECTIVE IMMEDIATELY); BY ENSURING THAT THERE WAS A SUFFICIENT SUPPLY FOR THE DOMESTIC MARKET BEFORE PERMITTING EXPORTS (THE EXPORT OF SUNFLOWER SEED OIL WAS SUSPENDED); PUTTING A DOWNWARD PRESSURE ON INTEREST RATES BY SUPPLYING INFORMATION ON THE "BASIC INTEREST RATE" (ARGENTINE EQUIVALENT OF LIMITED OFFICIAL USE

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PRIME RATE); AND PROMOTING SAVING BY PROVIDING THE PUBLIC INDEXED INSTRUMENTS YIELDING A POSITIVE RETURN.

5. THE MINISTER ALSO ANNOUNCED THAT A STUDY UNDERTAKEN BY THE MINISTRY OF SOCIAL WELFARE SHOWED THAT THE AVERAGE WAGE FOR THE AVERAGE BLUE COLLAR WORKER WITH TWO CHILDREN WAS 130,000 PESOS (US\$ 176) OR, IF FAMILY ALLOWANCES AND OTHER SUPPLEMENTS ARE ADDED, 180,000 PESOS (US\$ 243).

6. COMMENT: THE INFLATION IN MARCH WAS A SERIOUS BLOW TO MARTINEZ DE HOZ AND HIS ECONOMIC POLICY. EARLIER GOALS OF KEEPING INFLATION IN 1978 DOWN IN THE 60-80 PERCENT RANGE NOW APPEAR TOTALLY UNREALISTIC AND THE GOVERNMENT WILL BE FORTUNATE IF THE CPI RISES NO MORE THAN 100 PERCENT IN THE YEAR. THE MINISTER WAS CLEARLY ON THE DEFENSIVE IN HIS PRESS CONFERENCE. WHILE THE ATTACKS ON BUSINESSMEN WERE TO BE EXPECTED, HIS CRITICISM OF INDEC'S STATISTICS CAME ACROSS AS A HOLLOW ATTEMPT BY THE MINISTER TO DISCREDIT THE UNFAVORABLE COST OF LIVING RESULTS AND THEREBY ABSOLVE HIMSELF FROM THE APPARENT FAILURE OF THE GOVERNMENT'S ANTI-

INFLATIONARY PROGRAM.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
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**Concepts:** INFLATION, RETAIL PRICE INDEXES, WHOLESALE PRICE INDEXES, PRICE TRENDS, ANTIINFLATIONARY PROGRAMS  
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